

KENTUCKY DEPARTMENT OF EDUCATION
STAFF NOTE

Action/Discussion Item:

702 KAR 6:110, Claim Reimbursement for School and Community Nutrition Programs (Final)

Applicable Statutes or Regulations:

7 CFR 210.8(b)(1) (National School Lunch Program); 7 CFR 220.11(b) (School Breakfast Program); 7 CFR 225.9(d)(6) (Summer Food Service Program); 7 CFR 226.10(e) (Child and Adult Care Food Program); KRS 13A.130, KRS 156.070(5) and KRS 156.130

Action Question:

Should the Kentucky Board of Education (KBE) give final approval to administrative regulation 702 KAR 6:110?

History/Background:

Existing Policy. The KBE reviewed 702 KAR 6:110 at the April meeting and no changes have been made since that review. Following is the background on this item.

The School Nutrition Program is a federally assisted meal program operating in public and nonprofit private schools and residential child care institutions throughout the United States. Through this program, nutritionally balanced low-cost or free meals are served to more than 30 million children daily. The School Nutrition Program consists of the following program types: National School Lunch, School Breakfast, Special Milk, Meal Supplements, and the Seamless Summer Feeding Option. Kentucky's School Nutrition Program is administered by Kentucky Department of Education (KDE)'s Division of School and Community Nutrition (SCN). Additionally, SCN also administers the Child and Adult Care Food Program (CACFP) for Kentucky.

Once approved by SCN to participate in the School Nutrition Program or CACFP, each school or daycare facility ("sponsor") must submit a monthly Claim for Reimbursement for the low-cost or free meals served to eligible children and adults via the SCN Online Reporting Application.

The SCN Online Reporting Application is KDE's web-based system for administering the federal and state Nutrition Programs, including National School Lunch and Breakfast, Child and Adult Care Food Program, Special Milk, and the Seamless Summer Feeding Option programs. The SCN Online Reporting Application provides approved sponsors with the opportunity to submit claims for reimbursement electronically in a streamlined, timely manner. By federal regulation, SCN has the discretion to establish deadlines for

claim filing.¹ SCN has opted to operate under a 15/30-day claim deadline system. Under this system, SCN provides approved sponsors with a fifteen-day window after the close of the claims period to submit an original claim for the previous claim month. Those sponsors then have an additional fifteen days to file a corrected paper claim, if necessary.

SCN has a Claim Payment Procedure Policy in place that makes it possible for SCN to pay sponsors quicker than the timeframe required by federal regulation while also maintaining sufficient program controls. The Division requests that the Kentucky Board of Education (KBE) convert this policy into the attached, proposed regulation so that it will have the force of law as required by KRS 13A.130(1).

SCN has opted for the 15/30-day claim deadline system for two reasons: 1) many sponsors rely on the timely claims reimbursement to maintain a positive cash flow and 2) SCN does not have sufficient operational control over the Online Reporting Application to expand the claim cycle out past thirty days.

1) Sponsors depend on timely reimbursements to maintain a positive cash flow.

Sponsors enrolled in SCN's nutrition programs must provide meals that meet the United States Department of Agriculture's (USDA) nutritional guidelines. Sponsors are expending additional monies to meet these requirements through the use of funds received from SCN, with the result that children's meals are of increased quality and nutritional value. This meets the intent of the USDA Child Nutrition programs. Delays in payment may lower the value of the meals provided to children or result in cutbacks in other areas until the facility receives its claim reimbursement. Many facilities operate with a small cash reserve, and they depend on these SCN funds to comply with the nutritional requirements outlined by the USDA. The current claims window allows SCN the necessary time to process payments so that sponsors typically receive a check by month's end. Instituting a 15-day claim window works to ensure sponsors are paid in a timely manner and maintain a positive cash flow. To delay the payment of claims longer than fifteen days would create a barrier of participation for sponsors and would result in sponsors being unable to participate in the federal child nutrition programs.

2) SCN does not have sufficient operational control over the SCN Online Reporting Application to expand the claims deadline from the present 15/30-day claim window.

If the present 15/30-day window was expanded to a 30/60 window, SCN would be unable to maintain the audit trail required by USDA. Sponsors file their claims electronically with SCN's Online Reporting Application. The SCN Online Reporting Application then interfaces with eMARS (the state system) once the claim is approved for payment. eMARS then causes a check to be issued to the sponsor. Based on the claim form submitted, SCN approves payment in part or in full. Under a 30/60 window, sponsors could theoretically file two claims for two separate months simultaneously during that same claim period. If two separate

¹ Applicable regulation depends on the particular program (7 CFR 210.8(b)(1) (National School Lunch Program); 7 CFR 220.11(b) (School Breakfast Program); 7 CFR 225.9(d)(6) (Summer Food Service Program); 7 CFR 226.10(e) (Child and Adult Care Food Program).

original claims are filed during the same claims period, eMARS would then issue one check instead of two. If that were to occur, the audit trail would be compromised because it would be impossible to later identify which part of the approved payment was for each month respectively. Without a sufficient audit trail, the USDA would find SCN out of compliance with USDA regulations and federal funding for Kentucky's School Nutrition Program and the Child and Adult Care Food Program (CACFP) would be placed in jeopardy. This issue will be remedied in 2013 when SCN migrates to a new online reporting system.

Staff Recommendation and Rationale:

Staff recommend that the KBE give final approval to 702 KAR 6:110. It will put into regulation the policy allowing payment of sponsors quicker than the timeframe required at the federal level.

Groups Consulted and Brief Summary of Responses:

The Local Superintendents Advisory Council concurred with the revisions at their last meeting and will provide the board with a letter prior to the June meeting.

Impact on Getting to Proficiency:

Food service programs are an essential element of ensuring students are ready to learn.

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Commissioner of Education

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